

**Summary of the 2007-2009 Biennial Budget Bill (2007 Wisconsin Act 20)
Act 255 QNBV/Investor Tax Credit Changes.**

1. For tax years beginning after December 31, 2007, the amount of tax credits that may be claimed annually under the angel credit increases from \$3 million to \$5.5 million.
2. For tax years beginning after December 31, 2007, the amount of tax credits that may be claimed annually under the early stage seed investment tax credit increases from \$3.5 million to \$6 million.
3. For calendar years beginning after 12-31-07, investments must be kept in an investment for at least three years.

SECTION 3578. 560.205 (3) (d) of the statutes is amended to read:

560.205 (3) (d) *Rules.* The department of commerce, in consultation with the department of revenue, shall promulgate rules to administer this section. The rules shall further define “bona fide angel investment” for purposes of s. 71.07 (5d) (a) 1. The rules shall limit the aggregate amount of tax credits under s. 71.07 (5d) that may be claimed for investments in businesses certified under sub. (1) at \$3,000,000 per calendar year for calendar years beginning after December 31, 2004. The, and \$5,500,000 per calendar year for calendar years beginning after December 31, 2007. The rules shall also limit the aggregate amount of the tax credits under ss. 71.07 (5b), 71.28 (5b), and 71.47 (5b) that may be claimed for investments paid to fund managers certified under sub. (2) at \$3,500,000 per calendar year for calendar years beginning after December 31, 2004, and \$6,000,000 per calendar year for calendar years beginning after December 31, 2007. The rules shall also provide that, for calendar years beginning after December 31, 2007, no person may receive a credit under ss. 71.07 (5b) and (5d), 71.28 (5b), or 71.47 (5b) unless the person’s investment is kept in a certified business, or with a certified fund manager, for no less than 3 years.

SECTION 1977. 71.07 (5b) (c) 1. of the statutes is amended to read:

71.07 (5b) (c) 1. The Except as provided in s. 73.03 (63), the maximum amount of the credits that may be claimed under this subsection and ss. 71.28 (5b) and 71.47 (5b) for all taxable years combined is \$35,000,000 \$52,500,000.

SECTION 1980. 71.07 (5d) (c) 1. of the statutes is amended to read:

71.07 (5d) (c) 1. The Except as provided in s. 73.03 (63), the maximum amount of the credits that may be claimed under this subsection for all taxable years combined is \$30,000,000 \$47,500,000.

4. Commerce may use leftover tax credits from one year in a subsequent year.

SECTION 2154. 73.03 (63) of the statutes is created to read:

73.03 **(63)** Notwithstanding the amount limitations specified under ss. 71.07 (5b) (c) 1. and (5d) (c) 1., 71.28 (5b) (c) 1., 71.47 (5b) (c) 1., and 560.205 (3) (d), in consultation with the department of commerce, to carry forward to subsequent taxable years unclaimed credit amounts of the early stage seed investment credits under ss. 71.07 (5b), 71.28 (5b), and 71.47 (5b) and the angel investment credit under s. 71.07 (5d). Annually, no later than July 1, the department of commerce shall submit to the department of revenue its recommendations for the carry forward of credit amounts as provided under this subsection.

5. For tax years beginning January 1, 2007, credits are no longer treated as income.

SECTION 1978. 71.07 (5b) (d) of the statutes is renumbered 71.07 (5b) (d) 1.

SECTION 1979. 71.07 (5b) (d) 2. of the statutes is created to read:

71.07 **(5b)** (d) 2. The Wisconsin adjusted basis of any investment for which a credit is claimed under par. (b) shall be reduced by the amount of the credit that is offset against Wisconsin income taxes. The Wisconsin basis of a partner's interest in a partnership, a member's interest in a limited liability company, or stock in a tax-option corporation shall be adjusted to reflect adjustments made under this subdivision.

SECTION 1982. 71.07 (5d) (d) 4. of the statutes is created to read:

71.07 **(5d)** (d) 4. The Wisconsin adjusted basis of any investment for which a credit is claimed under par. (b) shall be reduced by the amount of the credit that is offset against Wisconsin income taxes.

6. Effective October 26, 2007, the maximum basis for an angel investment increased from \$500,000 to \$2 million for each investment made into a QNBV. The maximum amount a QNBV may receive in angel investments that qualify for credit, however, remains \$1 million.

SECTION 1981. 71.07 (5d) (c) 2. of the statutes is amended to read:

71.07 **(5d)** (c) 2. The maximum amount of a claimant's investment that may be used as the basis for a credit under this subsection is \$500,000 \$2,000,000 for each investment made directly in a business certified under s. 560.205 (1).

Note: Legislation has been proposed that will increase the total amount of angel investment in a QNVB from \$1 million to \$4 million (Comm.560.205(1)(k)).

7. Investments in businesses engaged in the construction of power plants that derive energy from renewable resources, will be eligible for angel investment tax credits, providing the business meets all of the other eligibility requirements.

SECTION 3577k. 560.205 (1) (g) of the statutes is amended to read:

560.205 (1) (g) It is not engaged in real estate development, insurance, banking, lending, lobbying, political consulting, professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants, wholesale or retail trade, leisure, hospitality, transportation, or construction, except construction of power production plants that derive energy from a renewable resource, as defined in s. 196.378 (1) (h).
